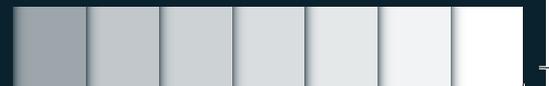


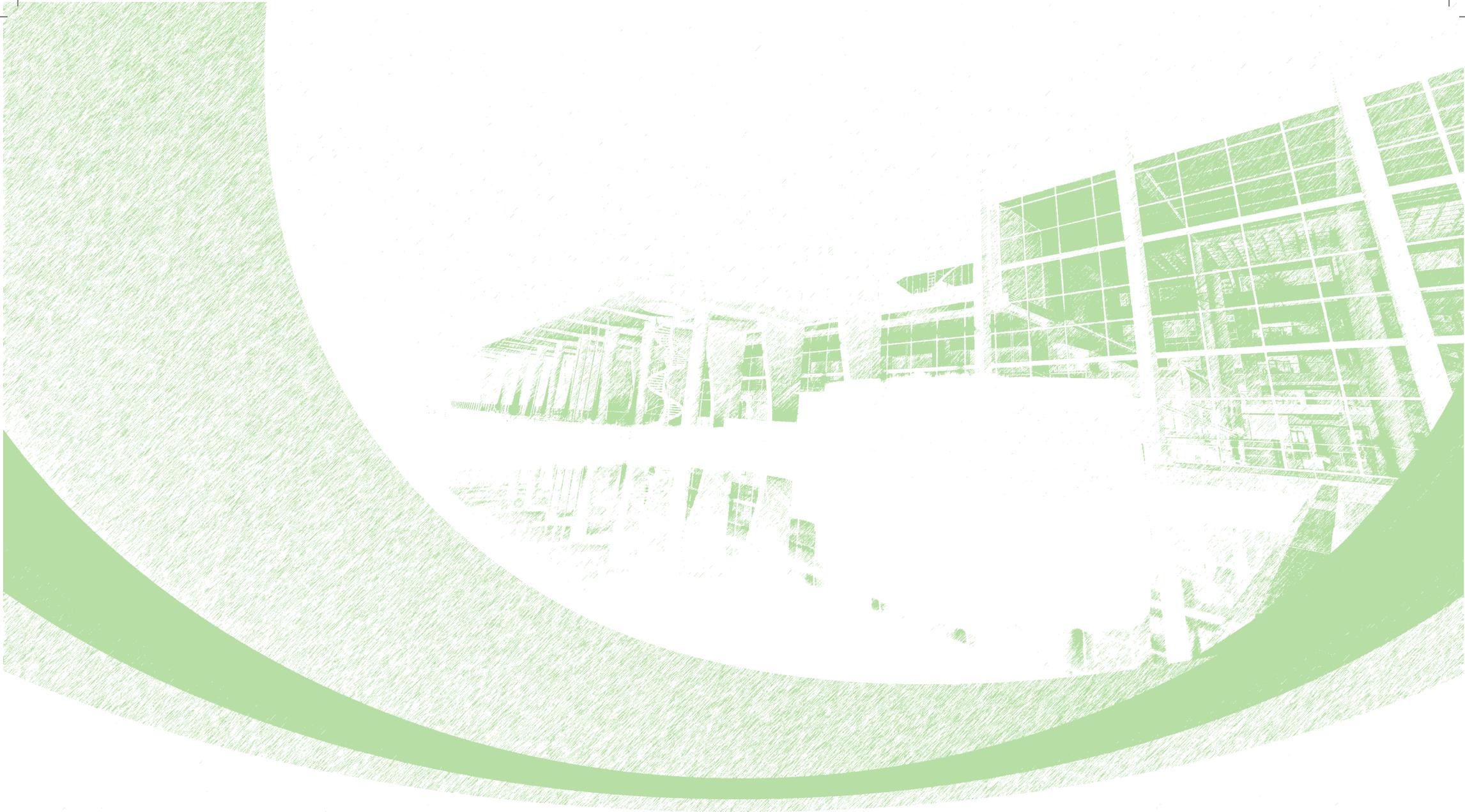


African Renaissance and International
Cooperation Fund (ARF)

Annual Report 2018/19

Department of International Relations
and Cooperation





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Department of International Relations
and Cooperation





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THE DEPARTMENT OF INTERNATIONAL

RELATIONS AND COOPERATION

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PART A

GENERAL INFORMATION





1. Public entity's general information

Registered name:	African Renaissance and International Cooperation Fund (ARF)
Physical address:	460 Soutpansberg Road Rietondale Pretoria 0084
Postal address:	Private Bag X152 Pretoria 0001
Telephone number/s:	+ 27 12 351 1000
Fax number:	+ 27 12 329 1000
E-mail address:	info@dirco.gov.za
Website address:	www.dirco.gov.za
External auditor:	Auditor-General of South Africa
Banker:	South African Reserve Bank

Definitions

Disbursement	Payment of money from the fund
Concurrence	Agreement between the Minister of International Relations and Cooperation and Minister of Finance on project funding
Expenditure	Fund used for a project with concurrence in the financial year
Active project	A project to which funds have been disbursed during the reporting period

2. List of abbreviations/acronyms

AGSA	Auditor-General of South Africa
ARF	African Renaissance and International Cooperation Fund
AU	African Union
CFO	Chief Financial Officer
DG	Director-General
DIRCO	Department of International Relations and Cooperation
MTEF	Medium Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
OVC	Orphans and Vulnerable Children
PCRD	Post-Conflict Reconstruction and Development
PFMA	Public Finance Management Act
TR	Treasury Regulation
SADC	Southern African Development Community
SCM	Supply Chain Management



Dr GNM Pandor
Minister of International Relations and Cooperation

3. Minister's foreword

It is my pleasure to present the *Annual Report* of the African Renaissance and International Cooperation Fund (ARF) for the 2018/19 financial year.

Our foreign policy is directly linked to addressing our challenges of inequality, poverty and unemployment. As part of the implementation of the humanitarian assistance to eSwatini, the World Food Programme (WFP) and the UN Women South Africa Multi-Country Office (UN Women SAMCO) have been implementing a joint programme on capacity-building. The programme aims to enhance the capacity of women farmers to manage and grow their businesses, increase their income and create sustainable jobs and livelihoods.

The WFP also developed a Transformation and Small Business Development Plan for this project, which outlines a new approach to the implementation of humanitarian assistance. The plan aims to maximise the inclusion of Level 1-3 Broad-Based Black Economic Empowerment-compliant emerging mills in line with the South Africa Black Industrialists Programme and the development of milling capacity and audits in existing mills. To date, three 100% black-owned mills have benefitted from technical audits and recommendations and one miller got a significant share of the milling spent.

Like other parts of the world, the African continent continues to experience an increase in the occurrence of natural disasters. Intermittent weather patterns, which are largely as a result of climate change, have brought untold suffering to citizens in affected countries and highlighted the dire need for swift responses. Through the ARF, South Africa has played a role in restoring human dignity and bringing relief to people in countries affected by natural disasters.

The holding of regular democratic elections will strengthen democracy and good governance on our continent. Accordingly, we will continue, through the ARF, to support electoral observer missions, provide electoral training support and promote the building and strengthening of democratic institutions.

During the 2018/19 financial year, the ARF processed R44.7 million in disbursements towards humanitarian assistance, and the promotion of democracy and good governance and human resource development in Africa. The assistance was spread across numerous countries, including Namibia, eSwatini, Western Sahara, Lesotho and Madagascar.

During the 2018/19 financial year, the ARF received a total of 13 requests for funding. Of these, six were recommended by the ARF Advisory Committee to the value of



Ms Candith Mashego-Dlamini
Deputy Minister of International Relations and Cooperation

R176 838 771,10 for approval by the Minister of International Relations and Cooperation and the Minister of Finance for the disbursement of funds through loans or other financial assistance.

The ARF has achieved an unqualified audit opinion without findings this year, which is a demonstration that the fund has put in place



Mr Alvin Botes
Deputy Minister of International Relations and Cooperation

mechanisms to ensure accountability. The report is a reflection of the extensive number of actions undertaken and achieved during the reporting period.

My thanks to my ministerial predecessors, the Minister of Finance, the Director-General, the ARF Advisory Committee, the staff in my office and officials of the ARF Secretariat for ensuring

that we get closer to realise our objective of a better Africa in a better world.

Dr GNM Pandor
Minister of International Relations and Cooperation
31 July 2019



Dr Naledi Pandor
Minister of International Relations and Cooperation

I have the honour of submitting
the African Renaissance and International Cooperation Fund Annual Report
for the period 1 April 2018 – 31 March 2019



Mr Kgabo Mahoai
Director-General: Department of International Relations and Cooperation



4. Accounting Authority's overview

The African Renaissance and International Cooperation Fund (ARF) continued to be an invaluable instrument in the pursuit of the National Development Plan and Vision 2030, the Medium Term Strategic Framework and the 14 Strategic Outcomes to which all government departments must subscribe and act upon. Of particular importance to the ARF was the Delivery Agreement for Outcome 11, which focusses on international relations and is

entitled: "Creating a Better South Africa and Contributing to a Better and Safer Africa in a Better World".

I am also pleased that the fund complies with the laws and regulatory prescriptions which govern the management of public funds in South Africa. We have therefore continued to adhere to the established framework for disbursing funds and ensuring compliance with accounting and monitoring mechanisms.

In conclusion, I would like to thank Minister Naledi Pandor and Minister Tito Mboweni for their vision, astute leadership and guidance. Furthermore, I would like to express my sincere appreciation to the ARF Advisory Committee and ARF Secretariat for their dedication, expertise and sterling and commendable work, as well as the ARF Audit Committee and ARF Risk Management Committee for the direction and stewardship they provided with respect to matters related to the ARF.



Mr Kgabo Mahoai
Accounting Authority
African Renaissance and International
Cooperation Fund
31 July 2019



5. Statement of responsibility and confirmation of the accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the *Annual Report* are consistent with the annual financial statements audited by the Auditor-General.

The *Annual Report* is complete, accurate and free from any omissions.

The *Annual Report* has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury (NT).

The annual financial statements (Part E) have been prepared in accordance with the standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resource information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.



In my opinion, the financial statements present fairly, in all material respects, the financial position of the African Renaissance and International Cooperation Fund as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised

Accounting Practice (Standards of GRAP), and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Yours faithfully

Mr Kgabo Mahoai
Accounting Authority
31 July 2019

6. Strategic overview

6.1 Vision

The vision of the African Renaissance and International Cooperation Fund (ARF) is a democratic, non-racial, non-sexist and conflict-free developmental African continent.

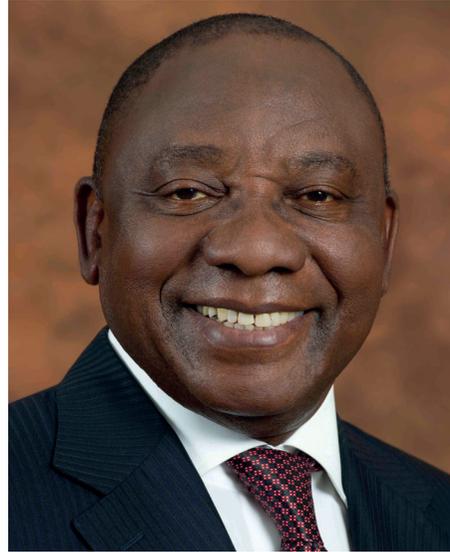
6.2 Mission

The ARF is committed to promoting South Africa's national interests and values, the African Renaissance and the creation of a better world for all.

6.3 Values

In order to ensure that funding through the ARF is effective, the ARF will adopt the values of the Paris and Rome Declarations on aid effectiveness. The ARF will ensure that the following key values are adhered to:

- **Ownership of the process:** The recipient country must own the process of determining the immediate, medium and long-term actions that will address the issues contained in its project proposal.
- An **understanding of the political, economic and security considerations** of the recipient country must be achieved.
- A **needs assessment** should be conducted with direct involvement and ownership of the process by the country concerned.
- **Integrated planning and coordination** are critical in ensuring that South Africa's efforts are in line with the development needs of the identified country.
- **Harmonisation of assistance needs to be coordinated.** The ARF will position itself as a catalyst to drive the implementation



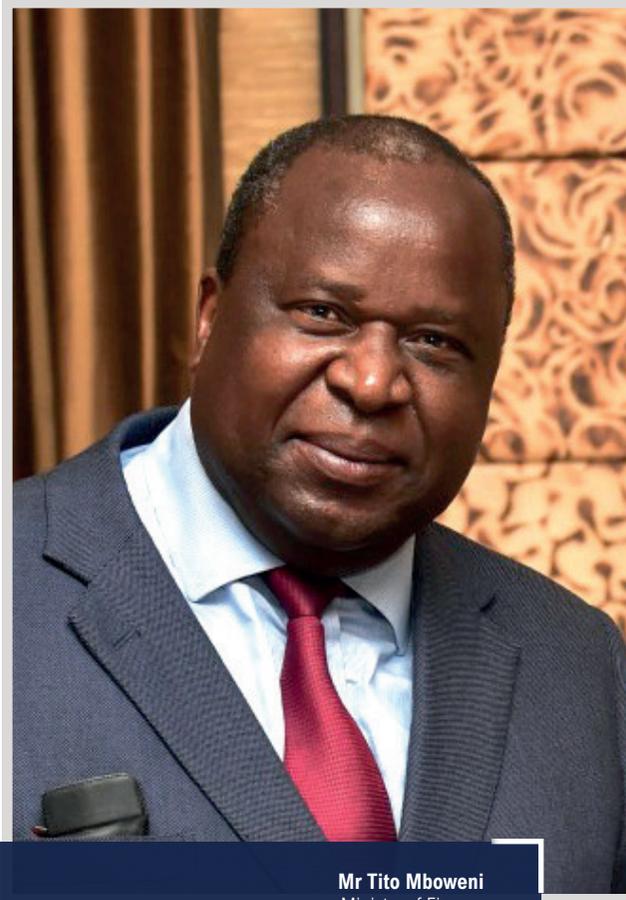
of post-conflict reconstruction and development programmes, to become an important participant in partnership with all role players to ensure that available funds are channelled to meet the identified priorities of the affected country.

- In addition to the above, the ARF will conduct its business while constantly adhering to the values of the Department of International Relations and Cooperation, namely:
 - » Patriotism
 - » Loyalty
 - » Dedication
 - » Ubuntu
 - » Equity
 - » Integrity
 - » Batho Pele.

7. Legislative and other mandates

The African Renaissance and International Cooperation Fund Act, 2000 (Act 51 of 2000): The Act establishes an African Renaissance and International Cooperation Fund (ARF) to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy and good governance, the prevention and resolution of conflict, socio-economic development and integration, humanitarian assistance and human resource development.





Mr Tito Mboweni
Minister of Finance

8. Organisational structure







PART B

PERFORMANCE INFORMATION



1. Auditor-General's Report: Predetermined objectives

The Auditor-General of South Africa (AGSA) auditor currently performs the necessary audit procedures for the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against the predetermined objectives is included in the report to management.

Refer to page 54 of the report of the AGSA, published as Part E: Financial Information.

2. Situational analysis

2.1 Service delivery environment

The African Renaissance and International Cooperation Fund (ARF) plays a critical role in perusing South African foreign policy in the Department of International Relations and Cooperation. South Africa's foreign policy promotes the need to cooperate with all peace-loving people across the globe in pursuit of shared prosperity and a just, equitable and rules-based international order. Hence, the objectives of the ARF are to enhance cooperation between the Republic and other countries, in particular African countries, through the promotion of democracy, good governance, the prevention and resolution of conflict, socio-economic development and integration, humanitarian assistance and human resource development.

The ARF Advisory Committee convenes once a quarter to, among others, assess and recommend requests for funding for approval



by the Ministers of Department of International Relations and Cooperation and National Treasury. During the 2018/19 financial year, the ARF received a total of 14 requests for funding. Of the 14 requests, six were recommended by the ARF Advisory Committee to the value of R176 838 771,10 for the approval by the Minister of International Relations and Cooperation and the Minister of Finance on the disbursement of funds through loans or other financial assistance. A total of eight requests are still under consideration.

The ARF has received a letter of concurrence from the Minister of Finance on 17 May 2019 to the value of R138 635 140 for four requests for funding. The amount will be included in the application to National Treasury to retain accumulated surplus.

The ARF will continue to provide assistance to countries in need in line with its objectives in an efficient manner and within the ambit of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999).

2.2 Organisational environment

The Advisory Committee makes recommendations to the Minister of International Relations and Cooperation and the Minister of Finance on the utilisation of funds through loans or other financial assistance. The Advisory Committee consists of the following members:

- (a) the Director-General (DG) or a delegate of the DG
- (b) three officers of the Department of International Relations and Cooperation (DIRCO), appointed by the Minister

- (c) two officers of National Treasury, appointed by the Minister of Finance.

The DG is the Accounting Authority of the ARF in terms of the PFMA, 1999. The DG has established a Secretariat consisting of officers to assist with the disbursement of the funds and monitoring and administration of projects relating to the fund. The ARF is managed by DIRCO and payments are made on behalf of the fund by the department once concurrence is received from the Minister of Finance.

The above has resulted in the opening of a control account in the accounting records of the department and this account is reconciled with the records of the ARF. The annual financial statements of the ARF are prepared separately from the department as the fund is registered as a Schedule 3A public entity in terms of the PFMA, 1999. All the transactions and information arising from the work of the ARF are audited by the Auditor-General of South Africa on an annual basis.

The ARF is set up as a public entity. However, it does not yet have all the features like other public entities due to its placement within DIRCO structures.

2.3 Key policy developments and legislative changes

There are no changes to policies or legislation that may have affected the public entity's operations during the period under review or future financial periods.

2.4 Strategic outcome-oriented goals

Strategic goal	Goal statement	Progress
Contribute to an integrated, democratic, peaceful and prosperous continent through development assistance	Contribute to continental development by means of developmental assistance in support of democracy and good governance; human resource development; social-economic development and integration; humanitarian assistance and disaster relief; and support prevention and resolution of conflict (PRC)	Continued to contribute to continental development by providing development assistance in support of democracy and good governance; human resource development; social-economic development and integration; humanitarian assistance; and support PRC

3. Summary of active projects

3.1 The African Ombudsman Research Centre (AORC)

Background and introduction

The African Ombudsman and Mediators Association (AOMA) was founded in 2003 and is a membership organisation of 46 Ombudsman institutions throughout the continent. Its objectives are to:

- encourage the establishment of African Ombudsman institutions
- provide information, training and development for Ombudsman offices and staff
- promote good governance
- promote the independence and autonomy of Ombudsman offices
- foster affiliation and maintain liaison among Ombudsman offices and other relevant institutions and organisations.

AOMA established the AORC in 2011 at the School of Law of the University of KwaZulu-Natal (UKZN) in Durban, South Africa, as its research and training arm. Article 12 of AOMA's Constitution tasks AORC with promoting capacity-building and studying of the activities, obligations and problems of the Ombudsman in Africa.

Training is a key component of AORC's 2018/23 Strategic Plan. To date, AORC has trained 519 participants (and supported funding for French translation for an additional 66 participants). During research for the AORC/International Ombudsman Institute (IOI) comprehensive study, AORC asked the Ombudsman to identify capacity-building needs and mediation training was highlighted as one of the top three priorities. The need to present this training to the Ombudsman was met positively by the IOI for financial support and was reiterated at the most recent AOMA meeting, held in Kigali in November 2018.

AORC activities (2018/19)

Over the past year, AORC conducted 16 country interviews as part of its collaborative study with the IOI on the Ombudsman in Africa, bringing the total number of interviews conducted for this research to 45. This study forms part of AORC's research mandate to inform Ombudsman best practice guidelines and relevant training. A book based on the finding of this study, the first of its kind in the world, is planned for a soft launch in Africa later in 2019 and a formal launch will be held at the IOI's Quadrennial Conference in 2020.

A further eight interviews were conducted with current and former ombudsmen for an academic article on the impact of gender on the role of



Rwanda General Assembly, November 2018, Kigali

the Ombudsman institution, namely: "Women Wielding Justice: Do Women Ombudsman Do It Differently?" Seven interviews were conducted with asylum seekers, activists and Ombudsman staff for an article on the role of the Ombudsman in ensuring administrative justice and the protection of human rights for asylum seekers and refugees.

In terms of capacity-building, AORC hosted an orientation/attachment visit in April 2018 for the Ombudsman for Ethiopia and Angola, during which time they participated in a 10-day English language programme. In November 2018, anti-corruption training was conducted in Rwanda, attended by 84 participants from

28 African countries. In March 2019, mediation training was conducted in Durban, attended by 51 participants from 27 African countries, as well as a DIRCO representative and six sector ombudsmen. This highlights some of the activities done by AORC.

Mediation training held in Durban, South Africa

AORC managed to secure a leading Africa-centric mediation trainer who is based at UKZN's School of Law. Prof. McQuoid-Mason is a prolific scholar who regularly conducts training in South Africa, Uganda, Zimbabwe, Ghana, Fiji, Italy and elsewhere in this specialised field.

At the end of the training, participants are able to:

- explain the guidelines for interest-based negotiation
- conduct interest-based negotiation
- appreciate the value of interest-based negotiations in resolving disputes
- apply the negotiation principles learned to scenarios provided by an Ombudsman
- explain the guidelines for mediation
- conduct mediation
- appreciate the value of mediation as a means of resolving disputes
- apply the mediation principles learned to scenarios provided by an Ombudsman.

3.2 Southern African Development Community (SADC) elections

3.2.1 Democratic Republic of Congo (DRC)

Background of the project

The Southern African Development Community (SADC) Secretariat invites members states to participate in the observation of elections in the region. South Africa, as a member of SADC, contributes to election observers by sending Eminent Person and other Categories as well as officials to form part of the SADC Elections Observations Missions (SEOMs).

The Eminent Person and other Categories (former Ministers, Envoys and Distinguished Personalities) are nominated by the Minister to form part of the SEOMs. Hence for the DRC elections, the Chief Director: SADC; Assistant Director from the Chief Directorate:



Facilitator, Prof. McQuoid-Mason, taking training participants through a mediation scenario

Southern Africa; Chief Director: Transformation Programme and Organisational Development and a nominee by the Minister severed as members of SEOMs in the 2018 presidential, legislative and provincial elections in the Democratic Republic of Congo (DRC)

Subsequent to the invitation from the DRC for SADC to observe the 2018 presidential, legislative and provincial elections in that country, initially scheduled to take place on 23 December 2018 but held on 30 December 2018, a SEOM was deployed.

The general assessment of the observers from their respective provinces where they were deployed was that there was an atmosphere of peace. Campaign events were mostly peaceful and well attended except for some acts of violence in areas such as Kalemie and Mbuji-Mayi. Political parties and individuals freely expressed their views and party preferences.

The presidential, legislative and provincial elections in the DRC were well managed and the voting processes proceeded relatively

smoothly, enabling the majority of the people to exercise their right to vote.

The SEOM in its Preliminary Statement, issued by the Minister of Foreign Affairs of the Republic of Zambia as the Head the SEOM, Mr Joseph Malanji, on 2 January 2019 noted that the political security environment before, during and immediately after polling day was generally peaceful.

3.2.2 Madagascar presidential elections

Background of the project

The objective of the project was to enhance South Africa's commitment to the promotion of peace, political stability and democracy on the continent.

On 10 November 2018, Honourable Joseph Malanji, MP, Minister of Foreign Affairs of the Republic of Zambia, and Head of the SADC Election Observation Mission, released the Preliminary Statement on the 2018 presidential elections in Madagascar.

Since no candidate achieved an outright victory in the first round of the Madagascar presidential elections on 7 November 2018, a run-off was required between the two leading candidates. The second round contest between Mr Marc Ravalomanana and Mr Andry Rajoelina took place on 19 December 2018.

On 27 December 2018, the Independent National Electoral Commission (CENI) publicly announced the provisional results of the second round of the elections. Mr Rajoelina received 55,66% of the votes and Mr Ravalomanana received 44,34%.

CENI submitted the results to the High Constitutional Court (HCC) for a final verdict. Various objections to the reported results, including from Mr Ravalomanana, were also submitted.

The HCC announced the confirmation of the final results on 8 January 2019. The HCC made no changes from the provisional results as announced by CENI on 27 December 2018. The HCC dismissed the objections and allegations



10 November 2018. Honourable Joseph Malanji, MP, Minister of Foreign Affairs of the Republic of Zambia, and Head of the SADC Election Observation Mission, releases the Preliminary Statement on the 2018 presidential elections in Madagascar

of fraud lodged by the losing candidate, Mr Ravalomanana, as lacking evidence.

Mr Rajoelina made a brief and conciliatory speech, stating that Madagascar should be united and that he was "the President of all the Malagasy people". Mr Ravalomanana formally congratulated Mr Rajoelina after the HCC announced its decision.

3.3 Logistical assistance for the 2018 election in Madagascar

Background of the project

The former Prime Minister of Madagascar, Mr OS Mahafaly, on February 2018 made a request for assistance from South Africa for the election that took place in November and December 2018. Subsequent to that in May 2018, the officials from DIRCO and the

Independent Electoral Commission (IEC) visited Madagascar on a fact-finding mission for discussion with their Malagasy counterparts and to assess the nature of possible assistance South Africa could render.

The Minister of International Relations and Cooperation approved the project to assist Madagascar as per the recommendation from the fact-finding mission. South Africa then committed to assist with the airlift of the ballot papers that were printed in Johannesburg, South Africa, and delivered to Antananarivo, Madagascar, for the second round.

Objectives of the project

The main objective of the project is to contribute to the logistical arrangements of holding a successful election, through funds provided by the ARF through the United Nations

Development Programme (UNDP), which is the coordinator for the CENI, to enable it to deliver free, fair and credible elections.

It is in the interest of South Africa to contribute to the cultivation of a peaceful and politically stable environment on the continent through the promotion of democracy and the rule of the will of the people. A peaceful and politically stable Madagascar presents economic opportunities for South Africa, as well as the region as a whole, through increased bilateral trade and investment.

Madagascar is a country emerging from a crisis, thus confronting daunting development challenges raging from the consolidation of democracy to humanitarian and socio-economic issues, among others, human resource development, institution capacity-building, extreme poverty, a high rate of unemployment, inequality and poor and non-existent physical infrastructure for development.

Project implementation

In 2017, as part of the preparations for the 2018 presidential elections, the Malagasy Government and the CENI approached the international community to request technical and financial support for the holding of these elections. Two official requests were received by the Mission from the Malagasy Government and from the CENI. The Mission transmitted the requests to the Business Unit for further processing.

Following receipt of the above request for helicopters, and engagements between Head Office and the IEC, a delegation composed of the DIRCO and IEC officials visited Madagascar from 14 to 18 May 2018, to further engage the

Malagasy stakeholders involved in the electoral process.

The Ambassador received approval from the Director-General to sign the agreement on behalf of the South African Government on 14 December 2018. As customary in acknowledging the contributions of the international community to the Support for the Electoral Cycle in Madagascar (SACEM) project, a ceremony was organised for the signing of the 2018 Presidential Elections Financing Agreement by the South African Embassy and the UNDP in the presence of the CENI Chairperson, on 18 December 2018. The ceremony was attended by the UN Resident Coordinator and Head of the UNDP, Ms Violet Kakyomya, and her Deputy, Ms Marie Dimond; the Chairperson of the CENI, Mr Hery Rakotomanana and his colleagues; Ambassador MV Dlomo and the First Secretary Political; the media; and a representative of the French Embassy.

During the signing ceremony, Ambassador MV Dlomo, highlighted that:

"We are happy that as part of SACEM and also in response to SADC, asking every one of its members, to contribute towards CENI's electoral expenses, South Africa has decided to contribute for the cost of transporting ballot papers from South Africa to the six hubs of Madagascar. We do this in the spirit of Ubuntu, Fivaviana.

We have confidence in the commitment of the Malagasy population that they will choose their preferred leader tomorrow.

We call upon them to continue exercising their democratic right and vote peacefully tomorrow as they will be voting for development of their country and their children.

South Africa congratulates CENI for its efficiency, professionalism in preparing for this important elections.

We stand available to support CENI, government, all Malagasy leaders and the whole population to achieve a prosperous Madagascar which is respected by the world. That's what this beautiful Island deserves.

We congratulate the United Nations as well for being a reliable partner for Madagascar on behalf of the whole world.

All this would not have happened without the efforts of representatives of the UN, CENI, government, SADC and our own leaders.

Thank you for giving us the opportunity to also contribute and good luck for tomorrow".

On her part, the UNDP Head said that:

"We welcome the entry of South Africa into the SACEM Project's common fund. I thank you warmly for your government to come today to join national and international efforts for the successful completion of this electoral process. Your contribution of nearly \$476,000 has now been crucial in supporting the deployment of election materials from South Africa, where they were produced, to the six main hubs of Madagascar. The solution of provincial hubs has indeed been privileged by the CENI to facilitate the transport of printed matter from

provincial capitals to the 24 852 polling stations in the country.

Thanks to South Africa, the timely delivery of electoral material, according to the logistical plan drawn up by the commission, allowed the actors to calmly consider the continuation of the electoral operations.

Mr President of the CENI, We are on the eve of a second essential round for the strengthening of democracy and electoral governance in Madagascar. In recent weeks, you have shown your willingness to make these elections a model of transparency and credibility, as in the last international and independent audit of the software used for the transmission of results. For that, and for the rest, we thank you and congratulate you again.

The combined efforts of the commission and all the actors involved in the success of this process have, so far, borne fruit. However, we must, more than ever, remain mobilised. I share with you my wish that with the investment and the goodwill of all, tomorrow's ballot will elect the President of all Malagasy, following a second round conducted within the rules, appeased and the results are accepted by everyone.

Dear development partners, The United Nations System takes this opportunity to renew its gratitude for your commitment and trust, yesterday and today.

Madam Ambassador, I will conclude my speech by reiterating my sincere thanks. Last month, we had seen together on the ground, the good work done



during the first round of the presidential election. I am hopeful that this will also be the case tomorrow and in the weeks to come. The United Nations invites both candidates to promote peace in all circumstances, and all Malagasy citizens to express their choice in the calm and respect for others."

In his remarks, the Chairperson of the CENI, Mr Hery Rakotomanana, thanked South Africa for its contribution, adding that this was in addition to other countries' support already received through the SACEM basket fund. He reiterated his gratitude to the international community for the success of the SACEM

Project, which managed to raise and exceed the requested financial support of almost USD15 million (14.576.086 USD).

3.4 Lesotho Peace Process

Background and introduction

A requested was made to the ARF for assistance in the appointment of a Special Envoy/Representative to the Kingdom of Lesotho to act as liaison and representative of the SADC Facilitator to the Kingdom of Lesotho, then Deputy President Cyril Ramaphosa, and a constitutional resource person to serve in the Reform Peace Process in Lesotho.

The mandate of the Special Envoy/Representative includes, among others:

- coordinate the Mission of the SADC Facilitator in the Kingdom of Lesotho
- oversee the political and security situation and alert the SADC Facilitator as and when a need arises.
- oversee the implementation of SADC decisions and the Lesotho Roadmap on Reform
- work with all Basotho stakeholders in the reform process
- interact with SADC experts who would render assistance to the Government of Lesotho's deferent reform committees (Constitutional, Security, Parliamentary, Public Sector and Media Reforms)
- function as a liaison officer between the Government of Lesotho and the SADC Facilitator.



Following a SADC Secretariat decision to permanently deploy two members of the Oversight Committee (OC), the two members began their deployment on 24 January 2019 and would remain on the ground until 30 March 2019. The deployment was led by Col Webster Simwanda, representing the Chair of the OC, supported by Mr Vasco Samupofu, representing the Vice Chair, Namibia; and Ambassador Lungile Pepani, an additional member of the OC representing the Republic of South Africa.

During the deployment, the OC engaged the following stakeholders: the UNDP, Ministry of Defence, National Dialogue Planning Committee (NDPC), the Council of Churches in Lesotho (CCL), the European Union Ambassador and the Minister of Justice and Correctional Services

3.5 Humanitarian assistance to the Kingdom of eSwatini Project: Emergency food assistance

Executive summary

The Government of the Kingdom of eSwatini made a request to the Government of the Republic of South Africa to assist following the disastrous and unprecedented drought caused by El Niño across Swaziland in 2016. The South Africa Government committed R40 million towards the Emergency Food Assistance Project in Swaziland. The project is intended to assist the orphans and vulnerable children (OVC) in different neighbourhood care points (NPCs). The beneficiaries are between the ages of 0 and 5 years. The project is targeted to reach 52 000 beneficiaries. The project is estimated to be implemented over a period of 18 months.

Background and origin

The southern Africa region was hit by drought caused by El Niño Nino in 2015 as a result of low rainfall. The Kingdom of eSwatini was one of the countries affected by the disastrous and dreadful famine. The drought impacted negatively on food security and threatened the lives of ordinary people, in particular in the Lubombo Region. The Government officially declared a state of emergency in February 2016. Subsequently, the South African Government received a formal request from the Kingdom to assist with emergency food assistance to alleviate the food security situation to benefit the OVC.

Maize meal and beans in storage

In response, the Government of the Republic of South Africa appointed the World Food Programme (WFP) to facilitate the implementation of the Emergency Food Assistance Project in the Kingdom.

The Memorandum of Understanding (MoU) between South Africa and the WFP on the Implementation of the Emergency Food Assistance to the Government of the Kingdom of Swaziland was signed on 9 March 2017.

The generous contribution by the South African Government is intended to provide on-site meals to the planned 52 000 OVC aged 0 to 5 years at 1 594 NPCs in all regions of eSwatini. The project provides all children with an on-site meal per day made of maize, pulses and vegetable oil.

Overall objective of the project

The objective of the project is to promote South Africa's foreign policy and international programmes by advancing the national interests, its values, the African Renaissance and the creation of a better world for all. The project is also in line with the ARF strategic objective intended to provide humanitarian assistance and disaster relief.

The South African Government has since March 2017, through its ARF housed in DIRCO, been supporting the provision of emergency food assistance to OVC at NCPs in eSwatini. This strong bilateral commitment to the development of the region has seen South Africa play a pivotal role in the lives of over 54 000 children and their nutritional needs in eSwatini, while ensuring a developmental impact of the resources deployed within South Africa itself, is empowering emerging millers and smallholder farmers.

Project implementation and budget

During a site visit to the WFP warehouse in eSwatini, the South African branded products were identified with name of suppliers such as Small Holder Farmers Home-grown Investment Holdings, Smallholder Farmers/ ZAF17PUL04, BH Brothers Industries (PTY) Ltd, and Progress Milling to list few.

The approved budget for the project was R40 million. The funds are disbursed as per the request from the WFP by submitting an invoice to DIRCO. The South African Government has to date disbursed R30 million to World Food for the Emergency Food Assistance Project through



Maize meal and beans in storage



Maize meal packaging at South African emerging millers



Meal served to orphans and vulnerable children



Maize meal processing and packaging

the provision of food and nutrition to OVC in different NCPs across eSwatini. The remaining balance of R10 million will be disbursed in the 2019/20 financial year.

Maize meal processing and packaging

Due to a lack of smallholder produce in the market at the end of the growing season in South Africa (February to April), maize meal amounting to 343.2 MT was procured directly

from the commercial market. Emerging millers, supported by the Black Industrialist Programme of the Department of Trade and Industry will be utilised going forward, with a remaining 510 MT to be procured.

Distribution figures

Region	Number of NCPs per region	Female	Male	Number of beneficiaries
Lubombo	395	6 110	5 606	11 716
Shiselweni	520	8 838	7 331	16 169
Hhohho	358	6 198	5 630	11 828
Manzini	376	8 113	6 672	14 785
TOTALS	1 649	29 259	25 239	54 498
		54%	46%	

The Government of eSwatini has embarked on a project to expand its primary education effective as of 2018 to cater for grade zero children who were previously attending NCPs. This has led to some reduction in the number of children attending NCPs when compared to the previous year. This was discovered during monitoring during which the WFP periodically conducts inventory exercises to inform programming which includes updating beneficiary figures and the overall database on NCPs.

The WFP also works with the eSwatini Government in creating well-targeted, evidence-based, nutrition-sensitive and expandable safety nets, including the development of a Social Protection Policy.



Meeting between officials from the South African and eSwatini governments and the World Food Programme



Capacity-building of smallholder farmers

Enhancing the capacity of smallholder farmers

Since the project started, the WFP and the UN Women South Africa Multi-Country Office (UN Women SAMCO) have been implementing a joint programme on capacity-building supported by the eSwatini contribution from the South African Government. The programme aims to enhance the capacity of women farmers to manage and grow their businesses, increase their income and create sustainable jobs and livelihoods.

Capacity-building of smallholder farmers

Challenges encountered and key lessons learnt during the training process will be used to inform future training activities, for example, the accessibility of venues, particularly for the disabled and limited human resource capacity and availability of South African Women in Farming (SAWIF) trainers to sustain training engagement.

The pace and delivery of the training has been largely dependent on SAWIF trainer capacity. Human resource constraints and competing business obligations impacted the ability of trainers to sustain training activities on the ground. The following considerations have been tabled to improve programme quality:

- strengthening SAWIF to develop structures that will enable follow-up support,

mentoring and tracking of progress after the training

- the need to enhance the capacity of SAWIF trainers to conduct quarterly monitoring visits to the farmers to record evidence of the training impact
- enhancing farmer connectivity and access to Internet to enable increased access to information and knowledge.

The contribution will also allow for shared learning and support of smallholder farmer entrepreneurship and networking. SAWIF and UN Women jointly held an advocacy event on World Poverty Day on 17 October 2018 in Limpopo.

Transformation and small business development

The WFP developed a Transformation and Small Business Development Plan for this project, which outlines a new approach. The plan aims to maximise the inclusion of Level 1-3 Broad-Based Black Economic Empowerment-compliant emerging mills in line with the South Africa Black Industrialists Programme and the development of milling capacity and audits in existing mills. To date, three 100% black-owned mills have benefitted from technical audits and recommendations.

Challenges related to milling activity included internal procurement processes in terms of supply chain management such as delays in the procurement of maize, bags and fortification pre-mix which delayed production. Other aspects include quality issues related to moisture in maize meal and fortification thereof with micronutrients.

Initially, through the supplier audits conducted by WFP, the emerging millers were found to be lacking basic good manufacturing practices, good hygiene practices and food safety management systems. The following were pertinent in all the emerging millers:



DIRCO and WFP officials at the South African emerging miller



WFP warehouse with delivered food items for OVC in eSwatini

Currently, only one emerging mill has implemented the recommendations of the WFP and they have procured from the emerging miller.

The WFP has continued to work closely with the Department of Agriculture, Forestry and Fisheries to identify additional smallholder farmers, particularly for the supply of pulses to complete the nutritional food basket for the children.

Given the challenges of the high costs of storage, lack of infrastructure and financing for emerging farmers, many smallholders are forced to sell their produce early and often miss out on higher prices for produce that occur at the end of the season. As such, the OVC project experienced a pipeline break of two months, given the limited availability of smallholder produce. Challenges for the millers also remain and are discussed below. With this break in the pipeline, the envisioned food distribution was maintained until end of the 2018/19 financial year.

WFP warehouse

The warehouse is packaged with products from South African companies with South African branding. The WFP expected the last tranche of products by the end of March 2019. The products were estimated to sustain the beneficiaries until the end of the 2019/20 financial year post the closure of the project and to provide food and nutrition to OVC in different NCPs across eSwatini.

3.6 Namibia Drought Relief Project Progress Report

Background

Following the declaration of a drought by former President Hifikepunye Pohamba in 2013, the Republic of South Africa pledge a donation of R1 million during the State Visit of former President Jacob Zuma to Namibia in November 2013.

Subsequent to the visit, an MoU between the Government of the Republic of South Africa and the Government of the Republic of Namibia on the Provision of Financial Assistance in respect of Drought Relief to the Republic of Namibia was signed in June 2015. The project comprised food and water sectors support with each receiving an equal amount of R50 million. For the purpose of this report, all references to the money will be in Namibia Dollars that is equivalent to the ZAR (50 million).

The MoU provided for the establishment of the Project Steering Committee (PSC), responsible for the overall planning, directing and coordination of the implementation of this Drought Relief Project. The donated amount was divided into two equal parts of N\$ 50 million targeted for purchasing food and providing water respectively. The project was implemented into two phases (Phase I for food and Phase II for water provision).

Phase I of the project includes the delivery of 100 MT of maize seed, 20 MT of black eyed cow peas (relish) and 7 500 MT/600 00 bags (12.5 kg) of maize meal.



Cattle drinking from the trough



Jubilant Kavango community members

Phase II of the project includes equipping 104 already drilled and capped boreholes in the critically drought-affected regions of Kunene, Kavango East, Kavango West, Zambezi, Omaheke and Ohangwena as well as the construction of protective walls around the boreholes.

Subsequent to that, the three government entities, DIRCO, the Department of Water and Sanitation (DWS), and Rand Water (RW) signed a Tripartite Agreement on 6 April 2017. The objectives of the agreement are to:

- facilitate the implementation of the project
- regulate and monitor the disbursements from the ARF in respect of the project as specified in the Project Plan
- provide sound financial management of the fund.

Executive summary

As indicated on the background, the Tripartite Agreement between the DWS, DIRCO and RW was signed on 6 April 2017.

Subsequent to that, RW appointed three South African service providers to equip the 104 boreholes identified by the Namibian Ministry of Agriculture, Water and Forestry (MAWF) in the five regions (Okavango, Kunene, Omaheke, Ohangwena and Zambezi).

Work has commenced in three of the five regions and is progressing well despite some challenges encountered during implementation.

Progress summary of the project

Kavango East and West

The scope of work for the Kavango region still remains to equip 31 already drilled boreholes. The scope provides for 27 solar and four diesel-powered mono pumps, 10 000l tanks, tank stands, a water trough and communal tap. The project is 98% completed in this region.



Communal tap



Members of community using the communal tap



Branding/borehole info plate



Mapanda borehole fully installed and operational in the Kavango region



Buckets queued for the communal tap

Progress

Activities	Percentage complete	Comments
Foundation works	100%	31 of 31 borehole foundations completed
Borehole equipping	97%	30 of 31 boreholes equipped
Borehole hand-over	97%	30 of 31 boreholes
Commissioning	97%	30 of 31 boreholes commissioned

Kunene region

The scope of work for the Kunene region is limited to the equipping of 21 already drilled boreholes with 15 solar-powered pumps and six diesel-powered mono pumps, 10 000ℓ tanks, tank stands, a water trough and communal tap.



Testing concrete strength – 20mpa



Completed solar installation in the Kunene region



Concrete strength test showing 27mpa, well above the required 20mpa



Goats drinking from the trough

Progress

Activities	Percentage complete	Comments
Foundation works	80%	17 of 21 borehole foundations completed (excludes solar stand)
Borehole equipping	14%	3 of 21 boreholes equipped
Borehole hand-over	14%	3 of 21 boreholes handed over
Commissioning	10%	2 of 21 boreholes commissioned

Omaheke region

Entsika Consulting has just completed the equipping of all the 11 boreholes. These have been inspected and tested for certification. The project is 100% complete in this region and the defect liability one-year period is about to end. This will mean that final verification and inspection will be conducted to release 10% retention.



Fully equipped borehole with elephant wall

Progress

Activities	Percentage complete	Comments
Foundation works	100%	11 of 11 borehole foundations completed
Borehole equipping	100%	11 of 11 boreholes equipped
Hand-over	100%	11 of 11 boreholes handed over
Commissioning	100%	8 of 11 boreholes commissioned



Water in a trough fixed to a concrete apron



Communal tap



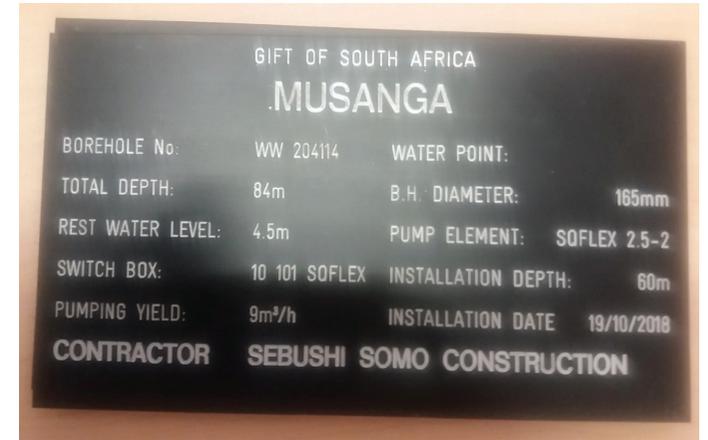
Branding and borehole data on display



Fully equipped borehole with deasel powered monopump



Completed engine installed



Completed engine installed



Livestock drinking trough



Concrete rebound hammer tester



Onsite inspection: National and regional inspectors discussing the progress on site



Tanks for borehole



Jubilant community

4. Performance information by strategic objective

4.1 Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

- To promote democracy and good governance
- To contribute to human resource development
- To support socio-economic development and integration
- To provide humanitarian assistance
- To support cooperation between South Africa and other countries
- To support prevention and resolution of conflict (PRC).

Programme/activity/objective:					
Strategic objectives	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to actual achievement for 2018/19	Comment on deviations
To promote democracy and good governance	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R252 141.03 for the South Africans who participated in the Election Observer Mission (Lesotho and Angola)</p> <p>Processed payments totalling R14 324 047.59 for the presidential and legislative elections in Liberia as per the objectives of the project</p>	100% of approved disbursement to support democracy and good governance processed as per objectives of the project	<p>100% of approved disbursement to support democracy and good governance processed per objectives of the project</p> <p>Processed payment of R4 145 387.34 for South African intervention and contribution to the Kingdom of Lesotho Peace Process as per objectives of the project</p> <p>Processed payment of R371 239.87 for South African participation in the 2018/19 African Union Election Observer Mission as per objectives of the project</p> <p>Processed payment of R6 500 000.00 to support presidential elections in Madagascar as per the objective of the project</p> <p>The following transactions were misstated in the previous quarters and adjusted in quarter four:</p> <ul style="list-style-type: none"> • back pay not previously reported on R23 703.75 in quarter two • transaction overstated with R14 242.99 in quarter three 	None	None
To contribute to human resource development	<p>100% of approved disbursements distributed during this reporting period</p> <p>Processed payments totalling R866 839.99 for the International Diplomatic Training Programme (IDTP) Project (Burundi Diplomatic Training)</p>	100% of approved disbursement to support capacity-building processed as per objectives of the project	<p>100% of approved disbursement to support capacity-building processed as per objectives of the project</p> <p>Processed payment of R1 744 328.55 to support capacity-building for Human Resources Development for AORC as per objectives of the project</p>	None	None

Programme/activity/objective:					
Strategic objectives	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to actual achievement for 2018/19	Comment on deviations
To support socio-economic development and integration	100% of approved disbursements distributed during this reporting period Processed payments totalling R1 762 023.83 for the Rice and Vegetable Production Project in Guinea (Conakry)	100% of approved disbursement to support socio-economic development and integration processed	100% of approved disbursement to support socio-economic development and integration processed as per objectives of the project Processed payments totalling R26 109.66 for the Rice and Vegetable Production Project in Guinea (Conakry) as per objectives of the project	None	None
To provide humanitarian assistance and disaster relief	100% of approved disbursement distributed during this reporting period Processed payments totalling R9 647 914.67 for the Namibia drought relief project as per the objectives of the project plan Processed payment of R11 200 000.00 for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) Project as per the objectives of the project Processed payment of R16 033 466.77 for the Emergency Food Assistance to the Government of the Kingdom of Swaziland project as per the objectives of the project	100% of approved disbursement for humanitarian assistance disaster relief processed	100% of approved disbursement for humanitarian assistance disaster relief processed as per objectives of the project Processed payments totalling R8 312 092.52 for Namibia drought relief as per objectives of the project Processed payment of R9 396 213.70 for the Emergency Humanitarian Assistance for Saharawi Refugees as per objectives of the project Processed payment of R14 206 210.37 for the Emergency Food Assistance to the Government of the Kingdom of Swaziland as per objectives of the project	None	None
To support cooperation between South Africa and other countries	100% of approved disbursement distributed during this reporting period Processed payments totalling R98 155 034.14 for Cuba Economic Package	100% of approved disbursement for cooperation processed	No disbursement processed	None	None
To support prevention and resolution of conflict (PRC)	No disbursement processed during the reporting period	100% of approved disbursement for PRC processed as per objectives of the project	No disbursement processed	None	None

4.2 Key performance indicators, planned targets and actual achievements

Programme/activity/objective:					
Performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to actual achievement for 2018/19	Comment on deviations
Percentage of requests responded to for the quality assurance and review of project proposals in preparation for the African Renaissance and International Cooperation Fund (ARF) Advisory Committee Meeting	100% of requests received responded to as per objectives of the ARF Thirteen project proposals received responded to as per objectives of the ARF	100% of requests recommended for funding	42.8% (six of 14) of requests recommended for funding	Eight of 14 project proposals received were not recommended for funding in the financial year under reporting	Eight project proposals not recommended for funding were referred back for future consideration
Number of ARF structures and processes convened to identify and recommend projects	Four Advisory Committee meetings to consider project proposals for recommendation	Four ARF Advisory Committee meetings held	Five ARF Advisory Committee meetings held	One more ARF Advisory Committee meeting was held in quarter three	Additional meeting for urgent requests
Percentage of approved disbursement processed	100% of approved disbursement processed as per objectives of the project plan Thirty-three approved ARF projects' disbursement processed	100% of approved disbursement processed as per objectives of the project	100% (14 of 14) of approved disbursement processed as per objectives of the project	None	None

Programme/activity/objective:					
Performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to actual achievement for 2018/19	Comment on deviations
Percentage of active projects monitored for compliance with concurrence received	<p>100% of active projects monitored for compliance with the concurrence received</p> <p>South African participation in the African Union election observer missions (Lesotho and Angola)</p> <p>UNRWA (Palestine) Project</p> <p>Namibia Drought Relief Project</p> <p>Rice and Vegetable Production Project in Guinea (Conakry) Project</p> <p>Swaziland Emergency Food Assistance</p> <p>Cuba Economic Package Project</p> <p>The Presidential and Legislative Elections in Liberia Project</p> <p>IDTP Project (Burundi Diplomatic Training)</p>	100% of quarterly project progress reports	100% (24 of 24) of active projects monitored for compliance with concurrence received	None	None

Programme/activity/objective:					
Performance indicator	Actual achievement 2017/18	Planned target 2018/19	Actual achievement 2018/19	Deviation from planned target to actual achievement for 2018/19	Comment on deviations
Percentage of project oversight reports for active projects	87.5% of project oversight reports for active projects Election Observer Mission (Lesotho and Angola) Namibia Drought Relief Project Rice and Vegetable Production Project in Guinea (Conakry) Project Swaziland Emergency Food Assistance Cuba Economic Package Project The Presidential and Legislative Elections in Liberia Project International Diplomatic Training Programme (IDTP) project (Burundi Diplomatic Training)	100% quarterly project progress report	100% (24 of 24) of project oversight reports for active projects	None	None
Percentage of closed project with close-out reports	100% of closed projects with close-out report IDTP Project (Burundi Diplomatic Training) Presidential and Legislative Elections in Liberia Project		100% (2 of 2) of closed project with close-out reports 100% (4 of 4) of quarterly project progress reports		

2.3 Strategy to overcome areas of underperformance

The appointment of a full-time ARF Secretariat is aimed at addressing the backlog of project implementation and oversight.

2.4 Changes to planned targets

No changes to planned targets.

2.5 Linking performance with budgets

Programme/activity/objective	2018/19			2017/18		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Appropriation	38 692	136 839	(98 147)	22 243	42 084	(19 841)
Total	38 692	136 839	(98 147)	22 243	42 084	(19 841)

Reasons for variance

The entity has an accumulated surplus, which was approved that offsets the overexpenditure in the current financial year.

5. Revenue collection

Sources of revenue	2018/19			2017/18		
	Estimate	Actual amount collected	(Over)/under collection	Estimate	Actual amount collected	(Over)/under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Interest income	7 000	75 283	(68 283)	21 000	148 711	(127 711)
Total	7 000	75 283	(68 283)	21 000	148 711	(127 711)

Revenue

The interest received of R75 million (2018: R148 million) from investments relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank and interest accrued on loans granted.

"Argue, don't shout"
- Mwl. Julius Kambarage Nyerere -



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PART C

GOVERNANCE



1. Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, 2008 (Act 71 of 2008), corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) and run in tandem with the principles contained in the *King Report on Corporate Governance*.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. Portfolio committees

The Parliamentary Portfolio Committee on International Relations and Cooperation is briefed regularly on the African Renaissance and International Cooperation Fund (ARF).

3. Executive Authority

In terms of the PFMA, 1999 and in compliance with National Treasury Regulations, for the period under review, the ARF has submitted to the Executive Authority the Strategic Plan 2015 – 2020, the Annual Performance Plan 2018/19, four quarterly reports for 2018/19 and the Annual Report and financial statements.

As prescribed by Treasury Regulations 29.3.1, that the Accounting Authority must establish procedures for quarterly reporting to the Executive Authority in order to facilitate effective

performance monitoring, four quarterly reports for the 2018/19 financial year were submitted to the Minister of International Relations and Cooperation for consideration and approval. The four quarterly reports were submitted as follows:

- ARF First Quarterly Report for the period 1 April to 30 June 2018: 26 March 2018
- ARF Second Quarterly Report for the period 1 July to 30 September 2018: 25 October 2018
- ARF Third Quarterly Report for the period 1 October to 31 December 2018: 28 January 2019
- ARF Fourth Quarterly Report for the period 1 January to 31 March 2019: 26 April 2019.

4. Report of the Accounting Authority

4.1 Introduction

The African Renaissance and International Cooperation Fund (hereafter referred to as the "Fund" and or "ARF") was established in terms of Section 2(1) of the African Renaissance and International Cooperation Fund Act, 2000 (Act No. 51 of 2000) and subject to direction of the Minister under the control of the Director-General (DG) who must keep proper records and accounts of all payments into and out of the Fund and must prepare a statement of income and expenditure and a balance sheet, annually as at 31 March, for auditing by the Auditor General. The African Renaissance and International Cooperation Fund is a Schedule

3A public entity in terms of Public Finance Management Act, 1999 (Act No. 1 of 1999) PFMA.

4.2 Objectives of the fund

The objectives of the Fund is to contribute to an integrated democratic, peaceful and prosperous continent. Therefore, the Fund enables the South African Government to identify and fund.

- 4.2.1 Cooperation between the Republic of South Africa and other countries, in particular African countries;
- 4.2.2 Promotion of democracy and good governance;
- 4.2.3 Prevention and resolution of conflict;
- 4.2.4 Socio-economic development and integration;
- 4.2.5 Humanitarian assistance; and
- 4.2.6 Human resource development.

4.3 The utilisation of fund

- 4.3.1 The Minister must, in consultation with the Minister of Finance, establish an Advisory Committee consisting of the following members:
 - the Director-General or the delegate of the Director-General;
 - three officers of the department appointed by the Minister; and
 - Two officers of the department of Finance appointed by the Minister of Finance.

3.3.2 The Advisory Committee must make recommendations to the Minister and the Minister of Finance on the disbursement of funds through grants or other financial assistance.

4.3.3 The funds must be made available or disbursed upon the recommendation of the Advisory Committee and approval by the Minister in consultation with the Minister of Finance. Grants or other financial assistance must be provided or rendered in accordance with an agreement entered into between the relevant parties, excluding assistance for the promotion of democracy and good governance or the prevention or resolution of conflict.

4.4 Related parties

4.4.1 The related party is the Department of International Relations and Cooperation (which is referred here to as the Department) and the Fund is under the control of the Director-General in terms of the Public Service (Act no. 103 of 1994).

4.4.2 The ARF Secretariat provides secretariat services to the Advisory Committee for consideration of projects and is specifically responsible for the:

- facilitation of project proposals for presentation to and consideration by the Advisory Committee
- facilitating the meetings of the Advisory Committee

- preparing a record of such meetings
- facilitating the process of securing concurrence letters
- facilitating the finalisation of Service Level Agreements/Memorandum of Understanding
- facilitating the process for the disbursement of funds
- monitoring the implementation of projects by means of reports, scheduled project site visits, ad-hoc site visits, as well as maintaining a project database.

4.4.3 The department acts as an implementing agent in the disbursement of funds to projects using a Control Account. The Fund utilises the established policies and procedures of the department in the disbursement of funds.

4.5 General review of the state of financial affairs

4.5.1 Revenue

- In terms of the Act, income, among other sources, consists of money appropriated by Parliament for the Fund. During the year under review, an amount of R38 million (2018: R22 million) was appropriated to the Fund.
- The interest received of R 75 million (2018: 148 million) from investments relates to the amount deposited with the Corporation for Public Deposits in the South African Reserve Bank.



- The interest accrued of R119 000 (2018: R1, 246 million) on the loan granted.

4.5.2 Expenditure

- During the period under review, the Fund recorded expenditure of R136 million (2018: R42 million).

4.5.3 Irregular expenditure

- During the current financial year, the Fund has not incurred any irregular expenditure R 0 (2018: R598 000).

4.5.4 Receivables

- Receivables represent monies withdrawn from the Fund for local and foreign aid

but which were not fully disbursed by the department on behalf of the Fund and also grants refunded by the recipients.

4.5.5 Commitments

- Commitments are projects with concurrence and awaiting the signed agreements.

4.5.6 Provisions

- Provisions are made up of projects with signed concurrence and signed agreements and the timing to disburse the funds is uncertain.

5. Corporate governance arrangements

The Fund is managed through the control of Director-General of the department and the following governance mechanisms are in place:

- The relationship between the Fund and the department is governed by the ARF Operational Framework.
- The role of the Secretariat is to ensure that all applicable laws and legislations are adhered to when projects are approved and funds are disbursed.
- The Secretariat is also responsible for monitoring and evaluation of projects during implementation.
- The Fund has an Audit Committee and a Risk Management Committee.

6. Additional information

6.1 Statement of Financial Performance

6.2 Statement of Financial Position

6.3 Statement of Changes in Net Assets

6.4 Cash Flow Statement

6.5 Notes to the Annual Financial Statements.

Mr KE Mahoai

Accounting Authority

Date: 31 July 2019

7. ARF Advisory Committee

Composition of the ARF Advisory Committee

No of meetings held	No of meetings attended	Name of members
Five	Three	Mr KE Mahoi (Chairperson: DIRCO)
Five	Two	Ambassador M Nkosi (Acting Chairperson: DIRCO)
Five	Five	Ambassador EM Saley (Member: DIRCO)
Five	Three	Mr R Toli (Member: National Treasury)
Five	One	Ms N Dikweni (Member: National Treasury)
Five	Five	Ambassador M Joyini (member: DIRCO)
Five	Two	Ms Y Maya (Member: DIRCO)
Five	Three	Ms B Bhengu (Alternate member: DIRCO)
Five	Two	Ms Thembi Nkuna-Shiluvana Alternate member: National Treasury)
Five	Two	Ms S Naran (Alternate member: National Treasury)
Five	One	Mr D Malcomson (Alternate member: DIRCO)

8. Risk management

- The entity has a Risk Management Policy to guide its risk management efforts. It also has developed a Risk Management Strategy to implement the policy.
- Strategic and operational risk assessments are conducted on a regular basis to identify

and analyse risks that have the potential to hamper the achievement of the entity's strategic objectives. Risk-mitigating strategies/plans are developed to manage and keep risks at an acceptable level. New and emerging risks are regularly identified and monitored through appropriate reporting channels.

- The entity has established a Risk Management Committee consisting of internal and external members. The internal members of the committee are from DIRCO's senior management structure and the external member is an independent Chairperson. The committee was established to provide advice to the

Accounting Authority on the adequacy and effectiveness of systems of enterprise-wide risk management.

- The committee meets on a quarterly basis to monitor the risks of the entity and whether they are managed to an acceptable level.

8.1 Risk management for the 2018/19 financial year

Identified risks	Mitigation strategies
Social unrest	Capacity-building through diplomatic channels
Project funds utilised for unintended purposes	Site visits and reporting Project Steering Committee meetings Engagements with service provider/s
Delays in conclusion of the projects/projects over-runs	Monitoring of project through regular site visits Regular engagements with service providers

8.2 African Renaissance Fund Risk Management Committee Member

Names of members	Date appointed	Qualifications	Internal/external member	Contact details	Status	Number of meetings attended for 2018/19
Dr MCAM Sehlapelo	1 April 2018	Doctor of Philosophy Master's in Information Studies Postgraduate Diploma in Information Management Postgraduate Diploma in Defence Studies Postgraduate Company Secretarial and Governance Practice Honours in Presidential Strategic Leadership Certificate in Senior Management Programme	External	064 885 0283	Active	Three

9. Internal Audit and Audit Committee

We are pleased to present our report for the financial year ended 31 March 2019.

9.1 Audit Committee responsibility

- The Audit Committee reports that it has complied with its responsibilities arising from Section 76(4) (d) of the PFMA, 1999 and Treasury Regulations 27.1.
- The Audit Committee also reports that it has adopted appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

9.2 Audit Committee members

Name	Qualifications	Internal or external	If internal, position in the department	Date appointed	Date resigned	No. of meetings attended
Ms KG Mbonambi	B Com Accounting B Com (Hons) Certificate in Enterprise Risk Management	External	N/A	1 January 2019 - 31 July 2019 (Contract renewed)	N/A	Five
Ms HN Masedi	B Rationis B Compt (Hons) Higher Diploma in Computer Auditing M Com Computer Auditing MBA	External	N/A	1 January 2019 - 31 July 2019	N/A	Five
Mr ZL Fihlani	B Com Accounting B Compt (Hons) Higher Diploma in Tax Law Higher Diploma in International Law M Com (Tax) CA (SA)	External	N/A	13 November 2017 (Three-year term)	N/A	Five
Dr MCAM Sehlapelo	Doctor of Philosophy Master's in Information Studies Postgraduate Diploma in Information Management Postgraduate Diploma in Defence Studies Postgraduate Company Secretarial and Governance Practice Honours in Presidential Strategic Leadership Certificate in Senior Management Programme	External	N/A	13 November 2017 (Three- year term)	N/A	Five
Ms PM Mvulane	B Com Accounting B Com (Hons) Specialist Diploma Auditing CA (SA)	External	N/A	13 November 2017 (Three- year term)	N/A	Four

9.3 Internal Audit

We are satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits.

We have met with Internal Audit during the year to ensure that the function is executed effectively and objectively (from management).

We are satisfied with the content and quality of quarterly reports prepared and issued by the internal auditors of the entity during the year under review.

9.4 The effectiveness of internal control

The system of internal control employed by the entity to financial and risk management is effective, efficient and transparent.

In line with the PFMA and the recommendations from the *King IV Report on Corporate Governance* requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the annual financial statements and the management letter of the Auditor-General South Africa, it was noted that there were no indicated material deficiencies in the system of internal controls or deviations there from.

Accordingly, we can report that the system of internal control over the financial reporting period under review was efficient and effective.

9.5 The quality of in-year management and quarterly reports submitted in terms of the PFMA

We reviewed the in-year quarterly reports submitted together with internal audit comments thereon.

We noted improvement in the content and quality of reports prepared and submitted by management.

9.6 Evaluation of financial statements

The Audit Committee has:

- reviewed and discussed with the Auditor-General and the Accounting Authority the audited annual financial statements to be included in the report
- reviewed the Auditor-General's management letters and management's responses
- reviewed the accounting policies and practices
- reviewed significant adjustments resulting from the audit.

9.7 External Auditor's report

We have reviewed the entity's implementation plan for audit issues raised in the prior year and we are satisfied that the matters have been adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.



Khulekelwe Mbonambi
Chairperson of the Audit Committee
31 July 2019

10. Compliance with laws and regulations

The African Renaissance and International Cooperation Fund (ARF) has been established and operates within the Act, Act, 2000 (Act 51 of 2000). The Act establishes an ARF to provide assistance to needy countries in line with its objectives in an efficient manner and within the ambit of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) and Treasury Regulations (TRs).

11. Fraud and corruption

The ARF applies the DIRCO Fraud and Corruption Prevention Policy. The policy outlines the fraud-reporting procedures in detail, with the allowance of reporting anonymously to the National Anti-Corruption Hotline. The

suspected indications of fraud or corruption are either reported internally through appropriate channels (supervisors and/or Forensic Auditing Unit).

The entity has developed the Fraud and Corruption Prevention Policy and Strategy as part of its commitment to managing fraud and corruption risks. There is also a Whistle-Blowing Policy developed in line with the Fraud and Corruption Prevention Policy through the National Anti-Corruption Hotline. Either way, the reported cases are attended to by the Forensic Auditing Unit within 30 days of the reporting. It should be noted, however, there was no case reported during the period under review.

12. ARF Secretariat

According to Section 6 (2) of the ARF Act, 2000, "the Director-General must establish a secretariat and appoint members consisting of officers to assist with the disbursement of the funds and monitoring and administration of projects relating to the Fund".

In line with the above, the Director-General has appointed four officers to assist with office administration, disbursement of funds, monitoring and administration of projects relating to the ARF. Furthermore, the fund is managed by DIRCO and payments are made on behalf of the fund by the department once concurrence has been received from the Minister of Finance.





PART D

HUMAN RESOURCE MANAGEMENT



Human Resource Management

Not applicable to the ARF since it is covered by the Department of International Relations and Cooperation.







PART E

FINANCIAL INFORMATION



1. Report of the External Auditor

Report of the auditor-general to Parliament on African Renaissance and International Cooperation Fund

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the African Renaissance and International Cooperation Fund set out on page 62 to 77, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the African Renaissance and International Cooperation Fund as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the department in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the African Renaissance and International Cooperation Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express opinion.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Objective 1 – To promote democracy and good governance	34 – 34
Objective 2 – To contribute to human resource development	34 – 34

Objectives	Pages in the annual performance report
Objective 3 – To support socio-economic development and integration	34 – 34
Objective 4 – To provide humanitarian assistance and disaster relief	35 – 35
Objective 5 – To support cooperation between South Africa and other countries	35 – 35
Objective 6 – To contribute to Post Conflict Reconstruction Development (PCRD)	35 – 35

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Objective 1 – To promote democracy and good governance
 - Objective 2 – To contribute to human resource development
 - Objective 3 – To support socio-economic development and integration
 - Objective 4 – To provide humanitarian assistance and disaster relief
 - Objective 5 – To support cooperation between South Africa and other countries
 - Objective 6 – To contribute to Post Conflict Reconstruction Development (PCRD)

Other matters

15. I draw attention to the matters below.

Achievement of planned targets

16. Refer to the annual performance report on pages 36 to 38 for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a number of targets.

Adjustment of material misstatements

17. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of African

Renaissance and International Cooperation Fund. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

20. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes general information, performance information, governance and human resource management. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
21. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
22. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
23. The other information I obtained prior to the date of this auditor's report is the general information, governance and the report of the accounting authority and the foreword by the minister. The report of the audit committee's chairperson is expected to be made available to us before 31 August 2019.
24. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
25. When I do receive and read the foreword by the minister and report of the audit committee's chairperson, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

26. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.

Auditor-general

Pretoria

31 July 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority
 - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the African Renaissance and International Cooperation Fund’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.







General information

Name of entity	The African Renaissance and International Cooperation Fund
Country of incorporation and domicile	South Africa
Legal form	Schedule 3A Public entity in terms of Public Finance Management Act, 1999 (Act No. 1 of 1999) PFMA.
Business address	460 Soutpansberg Road Rietondale Pretoria 0084
Postal address	Private Bag x152 Pretoria 0001
Bankers	South African Reserve Bank
Auditors	Auditor-General of South Africa

2. Annual financial statement

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2018/19 R '000	2017/18 R '000
Revenue			
Revenue from non-exchange transactions			
Appropriated funds	1	38 692	22 243
Revenue from exchange transactions			
Investment income	2	75 283	148 711
Total revenue		113 975	170 954
Expenditure			
Local and foreign aid assistance	3	(136 839)	(42 084)
Total expenditure		(136 839)	(42 084)
Forex (loss)/Gain	4	(34 512)	15 114
Surplus /(loss) for the period		(57 376)	143 984

STATEMENT OF FINANCIAL POSITION

	Note	2018/19 R '000	2017/18 R '000
ASSETS			
Current assets			
Cash and cash equivalent	5	862 439	1 059 164
Receivables from non-exchange transactions	6	-	17 922
Receivables from exchange transactions	7	-	15 907
Total assets		862 439	1 092 993
LIABILITIES			
Current liabilities			
Provisions	8	422 545	295 893
Payables from non-exchange transactions	9	58	
Total liabilities		422 603	295 893
Net assets			
Accumulated surplus		439 836	797 100
Total net assets and liabilities		862 439	1 092 993

STATEMENT OF CHANGES IN NET ASSETS

	Notes	Accumulated Surplus R'000	Total Net Assets R'000
Restated balance as at 31 March 2016		1 631 906	1 631 906
Amount approved by National Treasury		140 185	140 185
Amount surrendered to National Revenue Fund		(1 651 579)	(1 651 579)
Change in accounting policy: Reclassification of projects		83 116	83 116
Surplus for the year		449 488	449 488
Restated balance as at 31 March 2017		653 116	653 116
Surplus for the year		143 984	143 984
Balance as at 31 March 2018		797 100	797 100
Amount surrendered to National Revenue Fund		(300 000)	(300 000)
Refund from DPSA		112	112
loss to date *		(57 376)*	(57 376)*
Balance as at 31 March 2019		439 836	439 836

*Includes unrealized losses of R 34 512 000 attributable to foreign currency denominated concurrence letter of approval

CASH FLOW STATEMENT

	Note	2018/19 R '000	2017/18 R '000
Cash flow from operating activities			
Receipts		146 642	404 535
Appropriated funds	1	38 692	22 243
Investment income	2	75 164	147 465
Receivables : DIRCO		616	202 002
Receivables : Cuba		32 170	32 825
Payments		(343 367)	(1 803 048)
Cash disbursements	10	(343 367)	(1 803 048)
Net cash flow from operating activities	11	(196 725)	(1 398 513)
Cash flows from investing activities		-	-
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(196 725)	(1 398 513)
Cash and cash equivalents at the beginning of the year		1 059 164	2 457 676
Cash and cash equivalents at the end of the year	5	862 439	1 059 164

Statement of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final budget	Actual amounts on a comparable basis	Difference between final budget and actual
	R'000	R'000	R'000	R'000	R'000
Statement of financial performance					
Revenue					
Revenue from non-exchange Transactions	38 692	-	38 692	136 839	(98 147)
Appropriated funds					
	38 692	-	38 692	136 839	(98 147)

Basis of preparation:

The budget was prepared on the cash basis and presented hereto on a comparable basis since the actual non-exchange revenue in the budget is comparable to the income statement. Hence, there is no reconciliation performed as per requirement of GRAP 24 paragraph 46.

Variance:

Variance is as a result of expenditure incurred in the current financial year that exceeded the allocated budget, actual funds are available from the accumulated surplus to cover the over spending.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost

convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Judgments, estimates and assumptions

In applying accounting policies management is required to make various judgments, apart from

those involving estimations, which may affect the amounts of items recognized in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the financial statements. Details of any significant judgments and estimates are explained in the relevant policy where the impact on the financial statements may be material.

1.2 GRAP standards not yet effective

The Standards of GRAP below and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The Fund has not early adopted any of these Standards or amendments thereto, but has referred to them for guidance in the development of the accounting policies of the Fund in accordance with GRAP 3:

Standard	Effective date	Expected impact
GRAP 34 Separate financial statements	No effective date	ARF does not have controlled entities where investments are held, therefore the standard will not have impact
GRAP 35 Consolidated financial statements	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 36 Investments in associates and joint ventures	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 37 Joint arrangements	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 38 Disclosure of interest in other entities	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
GRAP 108 Statutory receivables	No effective date	ARF currently does not have receivables arising from legislative requirements; it is unlikely that the standard will have material impact on the entity's AFS
GRAP 110 Living and non-living resources	No effective date	No impact expected since it is unlikely to be applicable to ARF in view of its operations
iGRAP 20 Accounting for adjustment to revenue	No effective date	This might impact on the disclosure for revenue
iGRAP 1 Applying the probability test on initial recognition of revenue	No effective date	This might impact on the disclosure for revenue

1.3 Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.4 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue comprises mainly government grants/transfer payments and investment income.

Revenue from non-exchange transactions

The ARF recognises revenue from appropriation funds when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from non-exchange transactions arise when the ARF either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions, including revenue from government grants, is generally recognised to the extent that the related receipt or receivable qualifies for

recognition as an asset and there is no liability to repay the amount (i.e. where all conditions have been met).

Revenue from exchange transactions

Interest income

Investment income comprises interest income on funds invested and interest received/acrued on loan granted. Interest income for financial assets not classified at fair value through surplus or loss is recognised on a time-proportion basis using the effective interest method.

1.5 Expenses

Expenditure comprises approved projects where there is a signed concurrence letter and agreements between the parties are concluded. Expenditure is recognised when the concurrence letter and agreements are signed. The disbursement thereof is the South African Rand equivalent of the approved amount as per the concurrence letter.

1.6 Commitments

Commitments are not recognised in the statement of financial position as liabilities but are included in the notes to the annual financial statements. The entity discloses the amount of approved projects which are awaiting agreements.

1.7 Provisions

A provision is a liability of uncertain timing or amount. Provisions were raised in the financial statements for approved projects where agreements between the parties are concluded and the timing of the payment is uncertain.

A provision shall be recognised when an entity has a present obligation (constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.8 Forex gains/losses

Forex gain/losses arises on financial instruments that are denominated in a foreign currency. A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

- **Subsequent measurement**

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in surplus or loss in the period in which they arise.

1.9 Comparatives

The comparatives shown in these financial statements are limited to comparatives shown in the previous year's audited financial statements.

1.10 Financial instruments

The Fund's principal financial assets are cash and cash equivalents and receivables. These financial assets are reported at fair value at year end and, receivables are reduced by the provision for impairment.

Financial liabilities are classified according to the substance of the agreement or arrangement entered into. The principal financial liabilities of the Fund are amounts due to outside parties in respect of projects approved in terms of the African Renaissance and International Cooperation Fund Act, 2000 (Act No. 51 of 2000).

Initial recognition and measurement

Financial instruments are initially recognised when the entity becomes a party to the contract. The entity determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial instruments are initially measured at fair value plus transaction costs, except that transaction costs in respect of financial instruments classified at fair value through surplus or loss are expensed immediately.

- **Subsequent measurement**

1.11 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortised cost less impairment losses. Gains and losses are recognised in the Statement of Financial Performance when the loans and receivables are derecognised or impaired, as well as through the amortization process. A provision for impairment of trade receivables is established when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables.

1.12 Cash and cash equivalent

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

1.13 Rounding off figures

Unless otherwise stated all amounts in the financial statements have been rounded to the nearest one thousand rand (R'000).

1.14 Related party transactions

The department that controls the Fund in making financial and operational decisions is regarded to be a related party. We disclose outstanding balances between the two parties. Specific information with regard to business with department is included in the disclosure notes.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. Any fruitless and wasteful expenditure is charged against surplus or loss in the period in which it is incurred.

1.16 Related Parties

The ARF operates in an economic environment currently dominated by entities directly or indirectly owned by the South African Government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government that influenced the ARF or vice versa will be considered to be related parties.

Key Management is defined as being individuals with the authority and responsibility for



planning, directing and controlling the activities of the entity. The ARF regards all individuals from the level of Executive Management up to the Accounting Authority as Key Management per the definition.

The Fund is under the control of the Director-General in terms of the African Renaissance and International Cooperation Fund (Act 51 of 2000) and there is an operational framework that governs the relationship between DIRCO, its key management and ARF.

Close family members of Key Management personnel are considered to be those family members who may be expected to influence, or be influenced by Key Management individuals in their dealings with the entity.

1.17 Payables

Payables are present obligations of the entity arising from past events, the settlement of

which is expected to result in an outflow from the entity of resources embodying economic benefits. Payables will be recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

1.18 Irregular expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA; or
- Any national legislation providing for procurement in that national government.

Any irregular expenditure is charged against surplus or loss in the period in which it was incurred.

1.19 Materiality

The materiality framework enables ARF to identify any losses or irregular, fruitless or wasteful expenditure and evaluate them against the materiality framework as and when they occur during the financial period. Actual expenditure for previous year (2017/18 financial year) has been used as a base for calculating materiality for ARF. We have set the materiality amount at being 0.5% of revenue, expenditure and assets.

1.20 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue, two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

2018/19
R'000

2017/18
R'000

1. Appropriated funds

Appropriation from Parliament	38 692	22 243
Total	38 692	22 243

2. Investment Income

Interest earned from SARB	75 164	147 465
Interest received/accrued on loan granted to Cuba	119	1 246
Total	75 283	148 711

3. Local and foreign aid assistance

3.1 Cooperation between the Republic of South Africa and other countries		
Tripartite Mechanism for Dialogue and Cooperation between Angola, DRC and SA	-	6 499
Total	-	6 499
3.2 Humanitarian assistance		
Humanitarian assistance Palestine	-	11 200
Humanitarian assistance Saharawi	-	10 000
Humanitarian assistance South Sudan	100 000	-
Total	100 000	21 200

3.3 Promotion of democracy and good governance		
Presidential and legislative elections Liberia	-	14 385
Presidential elections Madagascar	6 500	-
Lesotho Peace Process	14 274	-
Total	20 774	
3.4 Promote human resource development and capacity building		
African Ombudsman Research Centre	3 488	-
Total	3 488	-
3.5. Prevention and Resolution of Conflict		
Transformation Initiative Central African Republic	8 185	-
Transformation Initiative Madagascar	4 391	-
Total	12 576	-
Total local and foreign aid assistance	136 839	42 084

NOTES TO THE FINANCIAL STATEMENTS

4.Forex (Loss)/ Gain

	2018/19 R'000	2017/18 R'000
Forex loss	(34 512)	-
Forex gain	-	15 114
Total (loss)/gain	(34 512)	15 114

5. Cash and cash equivalents

Cash and balances with South African Reserve Bank	862 439	1 059 164
Total	862 439	1 059 164

6.Receivables from non-exchange transactions (DIRCO)

Current receivables : Projects	-	1 779
Current receivables : Loan Repayment	-	16 143
Total	-	17 922

7. Receivables from exchange transactions

Loan granted to Cuba: Outstanding balance	-	15 907
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8. Provisions

Reconciliation of Provisions 2018/19

	Opening balance R'000	Re-classification from commitments R'000	Additions R'000	Movements during the year R'000	Total R'000
Projects	295 893	100 000	36 839	(10 188)	422 545

Reconciliation of provisions 2017/18

	Opening balance R'000	Re-classification from commitments R'000	Additions R'000	Movements during the year R'000	Total R'000
Projects	357 536	27 699	14 385	(103 727)	295 893

9. Payables from non - exchange

	2018/19 R'000	2017/18 R'000
Payables to DIRCO	58	-

10. Cash disbursements

	2018/19 R'000	2017/18 R'000
Promotion of democracy and good governance	(10 845)	(14 405)
Socio-economic development and integration	(26)	(867)
Humanitarian assistance	(30 751)	(28 397)
Cooperation between the Republic of South Africa and other countries	-	(107 800)
Promote human resource development and capacity-building	(1 744)	
National Revenue Fund	(300 000)	(1 651 579)
Total	(343 366)	(1 803 048)

11. Net cash generated from operations	2018/19 R'000	2017/18 R'000
(Loss)Surplus for the period	(57 376)	143 984
Adjustment		
*Forex (gain) / loss	34 512	(15 114)
(Loss)Surplus after movements	(22 864)	128 870
Changes in working capital	(173 861)	(1 527 383)
Effect on payables	(207 691)	(1 698 109)
Effect on receivables from non- exchange	33 829	170 726
Net cash flow from operating activities	(196 725)	(1 398 513)
* non-cash item		
12. Irregular expenditure		
Opening balance	598	
Add: Irregular expenditure-current year	-	598
Less: Amount condoned	(598)	-
Closing balance	-	598

13. Financial risk management disclosure

The ARF's financial instruments consist primarily of receivables, cash and cash equivalents and other payables. The ARF deposits all its cash with a reputable financial institution.

Credit risk

Credit risk consists mainly of cash and cash equivalents and trade receivables.

Credit risk represents the potential loss to the ARF as a result of unexpected defaults or unexpected deterioration in the credit worthiness of counterparties. The ARF's credit risk is primarily attributable to its receivables. However, this risk is minimal as the ARF receivables consist of funds due from the designated department and are fully recoverable.

With regard to the credit risk arising from other financial assets which comprise cash and cash equivalents, the ARF's exposure arises from a potential default of the counterparty where credit rating is constantly monitored with a minimum exposure to the carrying amount of these instruments. The funds of the entity are kept with the South African Reserve Bank and the credit risk is thus minimal.

Financial assets	2018/19 R'000	2017/18 R'000
Receivables from non-exchange transactions	-	17 922
Receivables from exchange Transactions	-	15 907
Cash and cash equivalents	862 439	1 059 164
Total	862 439	1 092 993

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. ARF source of funding is received from Parliament. Management monitors forecasts of the ARF's cash and cash equivalents on the basis of the expected cash flow. The entity has sufficient cash resources to fund commitments.

Financial liabilities	2018/19 R'000	2017/18 R'000
Payables from non-exchange transactions	58	-
Total	58	-

Interest rate risk

ARF's interest rate arises from cash and cash equivalents and receivables. ARF's exposure to interest rate risk is minimal due to the following factors:

- Interest is accrued on loan granted
- Interest is not paid on liabilities as they are all projected related which are not legally binding.

Based on the activities of the ARF, the only area affected by interest rate is the cash held at the South African Reserve Bank.

Details	2018/19 R'000	2017/18 R'000
Cash and balances with the South African Reserve Bank	862 439	1 059 164
Receivables from exchange transactions	-	15 907

Currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. The entity enters into agreements in foreign currency on a minimal basis and there is therefore minimal risk involved.

Other risks

Due to the nature and extent of the ARF's financial instruments, the entity is not unduly exposed to price risks or other market risks. The ARF does not have any foreign accounts receivable or derivative market instruments. The foreign accounts payable are denominated in the South African Rand.

NOTES TO THE FINANCIAL STATEMENTS

14. Related party transactions

The Department of International Relations and Cooperation and its key management are the related parties to the ARF.

Description	2018/19 R'000	2017/18 R'000
Receivables : DIRCO	-	17 922
Payables : DIRCO	58	-

15. Taxation

No provision has been made for taxation as public entities are exempt from income tax in terms of Section 10 of the Income Tax Act, 1962 (Act No 58 of 1962).

16. Commitments

Concurrence letter received but yet to be contracted for	2018/19 R'000	2017/18 R'000
Opening balance	173 951	83 116
Commitments re-classified to provisions	(100 000)	(27 687)
New commitments 2018/19	1 765	118 522
Closing balance	75 716	173 951

The commitments comprise projects approved which are awaiting agreements. The disclosure of the breakdown of total commitments is not done due to sensitivity of the information.

17. Contingent liability

A request was made to National Treasury as per Section 53(3) of PFMA to retain surplus for the current financial year ending 31 March 2019 with an amount of **R224 120 000**, should approval not be granted ARF will be required to surrender the funds to the National Revenue Fund through DIRCO. The cash balance of the ARF is sufficient to pay over the surplus.

18. Events after reporting date

The Accounting Authority is aware of the matter below which arised after the reporting date and it will not require adjustment for the financial statements.

The ARF received a letter of concurrence from the Minister of Finance on 17 May 2019 for an amount of R138 635 140. The amount will be included in the application to National Treasury to retain accumulated surplus.



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